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OFFICE OF THE
EXECUTIVE SECRETARY

February 4, 2002

Via Hand Delivery

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

RE: Petition of Citizens Telecommunications Company of Tennessee for Approval of
a Promotion for Customers in McMinnville and Sparta Exchanges

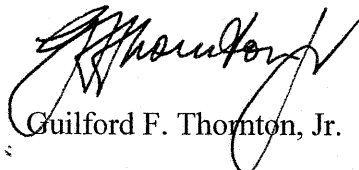
Docket No. 02-00088

Dear Mr. Waddell:

I am enclosing with this letter an original and thirteen (13) copies of the Response of Citizens Telecommunications Company of Tennessee to the Consumer Advocate's Complaint and Petition to Intervene previously filed in this matter. I ask that this pleading be distributed to the Directors for their review in advance of tomorrow's conference. Thank you.

Should you have any questions or require anything further at this time, please do not hesitate to contact me.

Sincerely,



Guilford F. Thornton, Jr.

cc: Timothy Phillips, Esq.
Michael Swatts

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

**IN RE: PETITION OF CITIZENS TELECOMMUNICATIONS COMPANY
 OF TENNESSEE FOR APPROVAL OF A PROMOTION FOR
 CUSTOMERS IN MCMINNVILLE AND SPARTA EXCHANGES**

Docket No. 02-00088

**RESPONSE OF
CITIZENS TELECOMMUNICATIONS COMPANY OF TENNESSEE**

Citizens Telecommunications Company of Tennessee ("Citizens") files this Response to the Complaint and Petition to Intervene ("Complaint") previously filed by the Consumer Advocate and Protection Division of the Office of Attorney General (hereinafter "Consumer Advocate") in this matter. Citizens objects to the allegations made in the Consumer Advocate's Complaint and requests that the Authority deny the Consumer Advocate's Complaint and approve Citizens' promotional filing without delay.

1. On January 23, 2002, Citizens filed with the Authority a written notification requesting approval of a promotion to waive non-recurring charges associated with basic local service for customers in McMinnville and Sparta exchanges for the period from February 6 to May 31, 2002. This promotion mirrors those previously filed by Citizens and approved by the Authority, beginning in November, 2000. On January 28, 2002 Citizens amended its filing to expand the promotion's coverage to new customers as well as former Citizens' customers. On January 29, 2002, the Consumer Advocate filed a Complaint and Petition to Intervene, asking the Authority to disapprove Citizens' filing.

2. In its Complaint, the Consumer Advocate takes the unusual position of opposing a filing, which, if approved, would result in lower rates for the citizens of McMinnville and Sparta. Citing Tennessee Code Annotated § 65-4-122 and § 65-4-123, the Consumer Advocate alleges that Citizens' promotion would be anticompetitive and discriminatory. Just the opposite is true.

3. Citizens' promotional offering, in fact, represents an effort to compete. Citizens is targeting its marketing of the proposed promotion to the McMinnville and Sparta exchanges because of the stiff competition it faces there. In its McMinnville exchange alone, Citizens has lost over 60% of its access lines due to the entry of Ben Lomand Communications ("Ben Lomand"), the CLEC affiliate of the Ben Lomand cooperative serving parts of that region. Unless Citizens can offer promotions such as the one proposed herein, its ability to compete with niche CLECs such as Ben Lomand will be severely undermined. Offering promotions in target exchanges allows Citizens to retain revenue streams that support affordable basic service rates system-wide. Accordingly, approval of this promotion is in the best interests of all Citizens' customers across the state.

4. T.C.A. § 65-4-123 sets forth the pro-competitive policy of the state adopted by the General Assembly concerning telecommunications services. Specifically, T.C.A. § 65-4-123 prohibits "unreasonable prejudice or disadvantage to any telecommunications services provider." Citizens must be allowed to utilize the tools available to it in order to

compete in the McMinnville and Sparta exchanges. Currently Citizens is at a disadvantage. Under its existing tariff Citizens is not allowed to waive installation charges pursuant to a promotion such as this. As such, a customer in McMinnville or Sparta has little incentive to subscribe to Citizens' service. Competing with the affiliate of an entrenched, well-funded telephone cooperative, which is relatively unregulated, is difficult enough. Denying Citizens' promotional offering would put Citizens at an unreasonable disadvantage vis-a-vis Ben Lomand.

5. The Consumer Advocate alleges that permitting Citizens to offer this promotion in Sparta and McMinnville without requiring Citizens to offer the same to its customers in Weakley, Putnam and Cumberland Counties amounts to unjust discrimination in violation of T.C.A. § 65-4-122. On the contrary, every customer in McMinnville and Sparta has access to the proposed promotion. There is no different treatment among customers in the McMinnville and Sparta exchanges.

6. T.C.A. § 65-4-122(a) prohibits different treatment of persons "*under substantially like circumstances and condition.*" (emphasis added) Conditions **are** substantially different in McMinnville and Sparta than they are in the other exchanges served by Citizens. In McMinnville and Sparta there is substantial competition from a CLEC, which, under favorable regulatory conditions, is winning customers away from Citizens on a daily basis. Competitive conditions are significantly different in Weakley, Putnam and Cumberland Counties. Different circumstances call for a different approach to marketing. Further, Citizens' proposal treats similar customers similarly. Citizens will

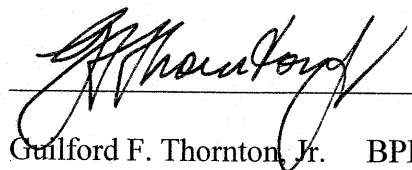
offer **all** former customers and new customers in McMinnville and Sparta the same promotional packages. There is no discrimination among citizens of McMinnville or Sparta. Accordingly, the goals underlying TCA 65-4-122 are not disturbed by Citizens' filing.

7. The Consumer Advocate's Complaint ignores a practice common to ratemaking in Tennessee, whereby a local exchange carrier uses "rate groups" to establish tiers for pricing. A local exchange carrier files tariffs with different tiers of pricing based on applicable circumstances. For example, under rate group pricing, customers in heavily urban areas may enjoy marginally lower basic rates than those in sparsely populated areas. Likewise, a local exchange carrier may file a tariff according to wire centers pursuant to a geographic breakdown. Each of these approaches meets with favorable treatment from the Authority. These approaches do not cause any harm to competition in Tennessee nor do they produce unjust discrimination for Tennessee citizens. Furthermore, the TRA, in Docket Number 00-00965, approved a tariff filing by Citizens that established a lower Automatic Access Line ("AAL") rate for business customers in McMinnville and Sparta than it charges AAL customers in Citizens' other Tennessee exchanges. In a companion filing in Docket Number 00-00963, the TRA also approved a special promotion very similar to the instant filing which waived installation charges for customers specifically in McMinnville and Sparta. Finally, the Consumer Advocate's position, if adopted by the Authority, would preclude the practice of Contract Service Arrangements ("CSAs"), which are (now) routinely approved by the Authority.

8. In Consumer Advocate Division v. Tennessee Regulatory Authority and United Telephone-Southeast, Inc., 2000 Tenn. App. LEXIS 687 (Tenn. App. October 12, 2000), the Tennessee Court of Appeals found that "the purpose of the 1995 Act was to ease the traditional regulatory constraints on local telephone companies and to permit greater competition for local telecommunications services." Citizens' promotion at issue here presents an attempt on the part of Citizens to compete, utilizing a vehicle traditionally approved by the Authority. Disallowing this promotion will impede competition and result in higher prices to the citizens of McMinnville and Sparta. There is no unjust discrimination.

WHEREFORE, Citizens prays that the Authority deny the Complaint of the Consumer Advocate and approve the promotion filed by Citizens in this matter.

Respectfully submitted,



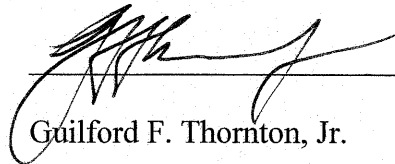
Guilford F. Thornton, Jr. BPR #14508
Stokes Bartholomew Evans & Petree
424 Church Street, Suite 2800
Nashville, TN 37219
615/259-1492

Counsel for Citizens Telecommunications of Tennessee

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the preceding document was served on the party below via facsimile transmission on February 4, 2002.

Timothy C. Phillips
Assistant Attorney General
425 5th Avenue North
Nashville, TN 37243-0485



Guilford F. Thornton, Jr.